국제학석사학위논문

Impact of Internet Regulation on Technology-based Internet Companies in South Korea and the United States

한국과 미국에 있는 기술 기반 민간회사에 대한 인터넷 규제의 영향

2014 년 8 월

서울대학교 국제대학원

국제학과 국제협력전공

박계영

Master's Thesis

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Seoul National University

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The Impact of Internet Regulation on Technology Companies in South Korea and the United States

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박계영의 석사학위논문을 인준함

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Abstract

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South Korea and the United States are often seen as two of the most technologically advanced countries in the world. In fact, they are both in the top 15% with regards to Internet penetration in each of their countries. This means that the percentage of the total population that uses the Internet is greater than 80%, which is much higher than the world average of approximately 40%. Since these two countries are so entangled in the Internet environment, they also have a plethora of regulations related to the Internet.

South Korea was one of the pioneers of passing laws that specifically address the Internet. Even though it is one of the first nations to pass Internet-specific laws, it has been one of the slowest to change and adapt them to the fast-paced Internet environment. For example, ActiveX is an online security certification system that has cramped the South Korean e-commerce industry from achieving the same amount of success it sees in other developed countries. The United States is more concerned with intellectual property and

privacy rights. Many of the Internet companies protest against the various bills that have been passing around Congress with plans that could stifle freedom of speech and privacy all in order to maintain copyright.

This research examined the Internet regulations of both South Korea and the United States to see how Internet companies are affected in their business proceedings. Interviews were conducted with six different Internet-based companies: three established in South Korea and three established in the United States. This was done to identify if the different focuses of Internet regulation in the two countries affect the growth of Internet companies and start-ups.

South Korean companies were found to have been stifled by the Korean Internet regulations and prevented from efficiently entering foreign markets because they had to adhere to antiquated Korean laws. American companies, on the other hand, did not have to worry about adhering to the ActiveX or Real Name Verification issues from the South Korean government. Instead, they were focused on preventing American bills that would make them liable to the content posted by third party users. In addition, the recently proposed net neutrality bills that would allow major corporations access to fast lanes by paying Internet service providers faced backlash from much of the public.

The research found that the current Internet regulation in South Korea is much more restricting than the current Internet regulation in the United States. The United States is trying to prevent cumbersome laws from becoming a reality, but South Korea already is dealing with those issues. Therefore, the types of Internet regulation do have

an effect on the business practices Internet companies. South Korean companies in particular are affected tremendously by antiquated regulations that have not kept up-to-date with recent advancement in Internet technology. Some of these issues have also been linked to cultural and social variations between the two cultures.

Keywords: Internet regulation, security, intellectual property, privacy rights, technology company, start-up

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List of Abbreviations

CISPA	Cyber Intelligence Sharing and Protection Act
COICA	Combating Online Infringement and Counterfeits Act
DMCA	Digital Millennium Copyright Act
FCC	Federal Communications Commission
ICEC	Information and Communications Ethics Committee
ITU	International Telecommunication Union
KCC	Korea Communications Commission
KCSC	Korean Communications Standards Commission
MPAA	Motion Pictures Association of America
NGO	Non-Governmental Organization
NSA	National Security Agency
PIPA	PROTECT IP Act (Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act)
RIAA	Recording Industry Association of America
ROK	Republic of Korea
RRN	Resident Registration Number
S.K.	South Korea
SOPA	Stop Online Piracy Act
UN	United Nations

U.S.	United States
USA	United States of America
WIPO	World Intellectual Property Organization

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I. Introduction

1. Context and Framework

The Internet is a useful communicative tool that allows people to share information efficiently and effectively. It is a technology that evolved rapidly from merely being used in research and business scenarios to widespread use in individual households. Its use is varied in nature and encompasses all aspects of modern life for many people. Since it came into widespread use in the 1990s, the Internet has become an integral part of daily life for billions of people. From its use as a research tool to increasing social interaction, the Internet is now a prevalent aspect of society as part of social media, e-commerce, and other communication tools. According to the International Telecommunications Union, in less than 10 years, the percentage of Internet users worldwide increased from 15.8% in 2005 to 37.9% in 2013. In 2013, the percentage of Internet users was 75.7% for the developed and 29.9% for the developing nations (See

Figure *1*: Internet users worldwide from 2005 to 2014 (*estimated) (International Telecommunications Union, 2014a)).

A large portion of the global population adapted to utilizing computers or smart phones to access this form of communication in a relatively short time period. Even though the number of people in developed nations using the Internet more than doubles

that in developing nations, the latter group is quickly catching up.

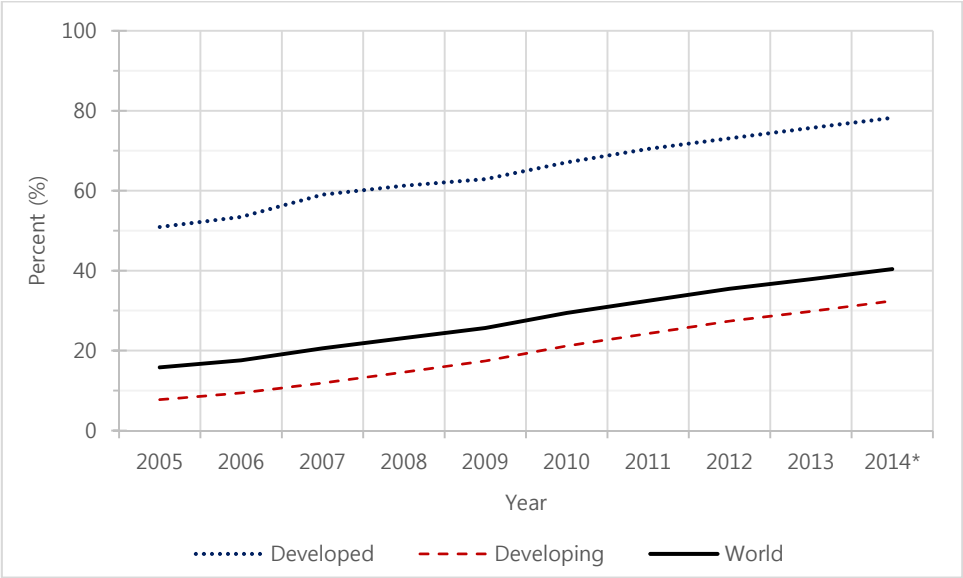

Figure 1: Internet users worldwide from 2005 to 2014 (*estimated) (International Telecommunications Union, 2014a)

Because more than three quarters of the developed countries' population accesses the Internet, it is an efficient and effective method of communicating and spreading information.

The unprecedented rapid growth of the Internet completely changed the commercial market as companies established online presences. In the 5 years preceding 2011, the Internet has accounted for a 21% GDP growth in world economies and e-commerce alone accounts for almost $8 trillion each year. In the United States alone, $250 billion worth of goods were purchased online in 2009. Furthermore, 40% of American Internet users utilize a price comparing website to check if they want to purchase a product (Institute, 2011). Therefore, even small- and medium-sized businesses have

some sort of web footprint; whether through their own websites or review sites to Twitter and Facebook. Consumers increasingly look toward the Internet before making decisions about purchases, such as comparing prices or even just buying online without even setting foot in a brick and mortar store. Companies like Google, Facebook, and Netflix were formed only because the Internet existed. They were created to fill serious needs and now serve their purposes as integral parts of the Internet environment. Not only are there companies that were established solely due to the Internet, but there are companies that started offline like Barnes and Noble, Capital One, and Cisco, which have expanded their businesses onto the web. This means that companies that did not originally have the Internet in their business plans found that it was needed and formed a new branch to fulfill that role. A study conducted by the McKinsey Global Institute in May 2011 found that the Internet accounts for approximately 3.4% of GDP in some developed countries. This means that "if Internet consumption and expenditure were a sector, its weight in GDP would be bigger than energy, agriculture, or several other critical industries" (Institute, 2011).

The Republic of Korea (South Korea) and the United States of America (United States) are two of the most technologically wired nations in the world; ranking in the top 15% in Internet penetration as a percentage of total national population.

Rank	Country	Penetration (%)	Internet Users
1	Falkland Islands	96.9	2,842
14	United Kingdom	87.0	54,861,245
16	Canada	86.8	29,760,764
21	South Korea	84.1	41,091,681
24	France	83.0	54,473,474
28	United States	81.0	254,295,536
33	Japan	79.1	100,684,474
102	China	42.3	568,192,066
164	India	12.6	151,598,994

Table 1: Ranking of countries by percent of Internet users in 2012 (International Telecommunications Union, 2014b)

South Korea ranks 21st in the world for Internet penetration while the United States ranks 28th (See Table 1: Ranking of countries by percent of Internet users in 2012 (International Telecommunications Union, 2014b)). The penetration refers to the percentage of the population that accesses the Internet on a regular basis. South Korea ranks highest among all Asian countries in penetration – outranking Japan, which is most often considered the most technologically advanced country in Western media. It also has the fastest Internet connectivity speeds of any country in the world at an average of 22.1 Mbps, almost 10 Mbps faster than second place Japan (See Figure 2: Internet speeds in the 3rd quarter of 2013).

Rank	Country	Speed (Mbps)
	World	3.6
1	South Korea	22.1
2	Japan	13.3
8	United States	9.8
14	United Kingdom	9.1
15	Canada	8.8

Figure 2: Internet speeds in the 3rd quarter of 2013 (Akamai, 2014)

In addition, South Korea is fairly unique from other countries in that domestic Internet ventures far outrun foreign firms in market share. For example, Naver dominates more than 80% of the search engine market share in Korea with Daum pulling far behind in second (Seongnam, 2014). Google has already overtaken as the number one search engine in many other countries, but it has failed to do so in Korea and constitutes only 4% of the search engine market. Meanwhile, Google's market share in the U.S. is 67.6% and 89.33% in the United Kingdom (News, 2012). Thus, it is interesting to note that many of the successful Internet companies in Korea are domestic ventures while in many other countries, American Internet firms dominate over the domestic ones.

In the United States, the percentage of households that had Internet at home grew from 18.0% in 1997 to 74.8% in 2012, which is an astounding 316% increase (Census, 2014). The access to Internet in the home means that people will spend more time online than if they had to go to an Internet café and pay hourly. Additionally, consumers are

more willing to purchase products online or conduct banking in the safety of their own homes due to privacy issues. Therefore, the sheer number of Americans that access the Internet at home shows how the United States is one of the driving forces behind the Internet's massive growth in recent years. Of the successful Internet companies, many of them had their roots in the United States: Google, Facebook, Twitter, Instagram, and Groupon. Silicon Valley, located in the state of California in the United States, is seen as a fostering ground for such technology-based companies. Thus, South Korea and the United States are two nations with roots that are deeply entrenched in Internet technology, but have different backgrounds with regards to the success and ease in which their Internet companies have flourished.

2. Research Focus

Many Korean Internet companies are successful domestically, but fail to reach their full potential overseas. For example, Naver tried to expand overseas into the United States, but failed to do so multiple times (Seongnam, 2014). CyWorld was a very popular Korean social networking site that could not find the same type of stronghold overseas and was overwhelmingly taken over in social networking first by Myspace, then Facebook (Albarran, 2013). On the other hand, American companies have swiftly taken over market share in many aspects of the Internet landscape: social networking, communication methods, and e-commerce.

The research focus is on how Internet-based or Internet-influenced firms are affected by the regulations of the country that they are established in, and by the regulations of the country they are trying to expand into. In essence, how were the companies affected by the Internet regulations of the domestic market when first establishing the business? How were the companies affected by the Internet regulations of the foreign market when looking to increase market share? For the purposes of this research, the definition of Internet-based is for a company that exists solely on the Internet and has no other ventures outside of the realm. Internet-influenced refers to a company that has significant stake in the Internet, but may have other businesses not related to the field. Thus, an Internet-based firm would be Netflix or Groupon, while an Internet-influenced one would be Barnes and Noble.

Companies and regulations of South Korea and the United States will be examined in detailed. These two countries were chosen since they reflect similar yet strikingly polar environments. The two nations have relatively web fluent populations that access the Internet on a regular basis. However, the two nations have different approaches to Internet regulation, so that disparity is examined.

3. Methodology

This research focuses on the efforts of Internet companies to abide by the regulations while at the same time run successful businesses. It will be looking at how

companies affected by Internet regulation adapt to the imposing laws by changing the structure or method of providing service to their clients. Numerous companies both in South Korea and the United States were contacted for interviews. Most of the South Korean-based businesses interviewed for this paper are start-ups that have only been running for less than three years. The American companies were a mixture with some veteran ones (founded more than five years ago) as well as start-ups. All of the companies that agreed to interviews only did so on the condition that they remain anonymous. They were asked to answer questions about Internet regulations in their home countries and how it affected their establishments. In addition, they were asked to elaborate on the specific laws that they were particularly concerned by. The South Korea-based companies were then asked if they were concerned about American regulations when expanding into the American market, and vice versa for the American companies.

The South Korean and American federal laws were examined to see how the regulations changed over the years. Current regulations were accordingly analyzed to assess the current state of Internet regulation. Other primary sources like company statements were taken into consideration. Secondary sources like journal articles and research papers were also explored. Some of the sources talked about countries other than South Korea and the United States, but they were studied to compare and contrast with this research.

Since the Internet and technology industry is fast-changing and has undergone extreme changes within the past five years, this research utilized many news articles in

addition to newly published journal articles, because there are not that many relevant journal articles that are up-to-date. Currently, there has been a great movement towards overhauling the entire Internet regulation system in both South Korea and the United States, so much of the research will be focused on the past couple of years to the present as well as prospects for the future.

4. Previous Findings

A similar study was conducted previously by researchers at the University of California, Irvine between China and the United States. They found that government regulation was much more restrictive in China than its Western counterpart, and thus had a much greater effect on the eventual success of the business (Sean Xu, 2004). When companies were in countries that did not have such stringent regulations, they were able to thrive and innovate at a much greater pace and size. Since South Korea has very stringent regulations when it comes to the Internet, Xu's study is relevant to this scope of research as it also compares to the United States.

Another study showed that many technology firms choose to establish their companies based on the Internet regulations of the particular country. For example, Facebook's European headquarters are in Ireland and not France, because the latter nation has stringent personal data protection laws (Fabrice Rochelandet, 2012). The stricter laws hinder Facebook's ability to conduct business more profitably, so seemingly innocuous

rules greatly affect business dealings. This shows that Internet regulation does in fact have an effect in how multinational corporations run their businesses. Jurisdiction is a serious issue, especially because there is no international committee that regulates Internet issues that cross borders and boundaries. Cloud computing and social networking sites do not care about borders or boundaries, so it is a business that can easily spread and gain users (Burke Ward, 2010). Thus, there are risks for companies that engage in such activities since they may run into trouble in a foreign country when a client uses their services even if they are perfectly within the rights of the home country.

II. Current State of Internet Law

1. International

There is no real international oversight regarding Internet regulation and jurisdiction. The United States has been pushing for international cooperation in matters related to the Internet, such as in issues with copyright infringement. However, the global community has been slow to respond to the calls for action. The International Telecommunication Union (ITU) does discuss matters regarding policy issues pertaining to the Internet and management of Internet resources, but the resolutions are non-binding and nations can choose not to participate. There are sections on cybersecurity and accessibility, but the ITU is not focused solely on Internet issues and also addresses other communication media like phones and TV broadcasting (International Telecommunication Union). There are many countries like the United States that want to defund the ITU to prevent it from regulating the Internet globally. In 2012 at the World Conference on International Telecommunications in Dubai, countries disagreed over regulatory oversight into security, fraud, and traffic accounting. Some countries like China, South Korea, and Russia felt that it was necessary, while others like United States and Canada felt that it was intrusive in existing federal laws of each country. The European Parliament stated that the proposed resolution would negatively impact the free flow of online information. The finalized resolution was signed by 89 of the 152 countries, so it was not an overwhelming

majority (Dourado, 2013). Since none of the agreements are binding, it is hard for entities to prosecute those in other countries for copyright infringement and intellectual property matters due to jurisdictional issues.

Furthermore, the United Nations (UN) agency World Intellectual Property Organization (WIPO), protects intellectual property around the world and ratified the WIPO Copyright Treaty in 1996 to provide copyright protection. When it became effective in 2002, it gave further copyright protection since the advances in technology deemed prior treaties a little out-of-date (Organization, 2002). Each country or group of countries that agreed to the treaty implemented it into their own federal laws. For example, the United States took the WIPO Copyright Treaty and made it into the Digital Millennium Copyright Act. Similarly, the European Union split the treaty up into several different Directives to address intellectual property rights. However, as with the ITU, not all countries agreed with the WIPO's objectives. Copyright infringement over the Internet is a touchy issue as the degree to which it is addressed and implemented varies tremendously from state to state.

The Internet greatly minimizes the costs related to communication and monitoring, which has led to an exponential increase in the number of people utilizing it. Therefore, several groups have outlined how they feel the Internet should be treated. The OpenNet Initiative is a joint project by the University of Toronto, Harvard Law School, University of Oxford, and University of Cambridge that examines the filtering and censorship levels of nations. They split up the filtering into four classifications: political,

social, conflict/security, and internet tools. South Korea was found to have one of the strictest restrictions to online expression, especially with regards to North Korea. Of the democratic countries, South Korea places the most restrictions on freedom of speech by blocking access to certain information (Initiative, 2012). The United States was found to not filter information, but did have issues with tapping and breach of privacy.

See Appendix A for a table of all the regulations mentioned in this paper.

2. South Korea

In 2013, South Korea ranked 20th out of 60 nations in a survey that examined Internet freedom, largely due to restricting matters like anonymity and freedom of speech (Sanja Kelly, 2013). Since all countries have their own regulations regarding the Internet, multinational companies that try to spread their reach across borders through the Internet face considerable problems in restrictive laws and barriers to market entry. The South Korean Constitution prohibits censorship and Article 21 of the Constitution states that all citizens should have freedom of speech. However, the same Article then continues on to say that citizens cannot undermine public morals or social ethics (Korea, 1987). The regulations regarding the Internet build upon this Article in the Constitution. In 1991, the Telecommunications Business Act was ratified, which repeated the sentiment in the Constitution's Article 21 that communication cannot harm public morals. An Information and Communications Ethics Committee (ICEC) was set up in 1995 to monitor and ensure

the policy was being followed (Court, 1995). This means that the Constitution and the laws of the country are somewhat at odds with one another with regards to the wording and intent.

The Korea Communications Standards Commission (KCSC) regulates, among its many duties, Internet content and oversees the monitoring of the Juvenile Protection Act. The purpose of the Act is to prevent adolescents from falling into harm's way whether through drugs or other avenues. It regulates the types of media that adolescents can access online and offline so that children are not tempted. The Juvenile Protection Act was first written in 1997, but was amended almost yearly until the present day. The Ministry of Gender Equality and Family passed an amendment in 2011 called the Online Game Shutdown, where online game providers cannot have children ages 16 and under playing on their servers between midnight and 6 AM (Court, 2011). An Online Game Addiction Prevention Bill was also presented in January 2013 by New Frontier Party member In Chun Son. If passed, it would increase the blackout time two more hours so that it starts at 10 PM and also force the game industry to hand out 1% of revenue to support addiction healing centers (K. N. Assembly, 2013).

Furthermore, the KCSC can recommend that actions be taken to block websites that have illegal content such as pornography, gambling, and support for North Korea or communism (Commission, 2008). Not only can the KCSC block access to such websites, but they can delete messages that they deem inappropriate (Initiative, 2012). The Korea Communications Commission (KCC) presented the Comprehensive Measures on Internet

Information Protection in 2008 and further increased the KCSC's power to prevent slanderous or defamatory postings. Consequently, the companies that hosted such postings had a minimum of 30 days to delete them or face a hefty fine (Kim, 2008). In more serious situations, the website could be forced to shut down entirely, which for small businesses spell out complete disaster. More stringent and strict rules meant that companies like Naver and Daum had to come up with better in-house solutions to policing content and comments. For large companies, it may be inconvenient, but do-able. For smaller Internet companies, this can be an unaffordable and fatal risk. Cyber defamation laws became even more prevalent after online bullying continued increasing and affected famous celebrities like Tablo and Jin Sil Choi. Tablo was accused of falsifying his educational records and credentials by online users. These users were eventually sentenced to jail terms for spreading false rumors (Davis, 2012). The government also introduced a three-strike out rule to copyright infringement with an amendment to the Copyright Law. Article 133 was changed so that if message boards do not comply to three warnings to adhere to copyright claims, then the websites can be shut down (N. Assembly, 2008). Accordingly, social media sites fall under a different clause under Article 104 where the providers have to take "necessary measures" and intercept illegal activity. They will be fined the first two times that they fail to address the copyright problem, but on the third time, they can also be shut down. Therefore, the government has the ability to close an Internet business even if the users of the site are the ones that upload illegal content and not the webmasters themselves.

Copyright claims and defamation clauses are not the only issues covered by Korean Internet regulations. Since 2003, the Real Name Identification Act has been a part of the Korean Internet landscape. The then four biggest Korean sites – Yahoo Korea, Daum, NHN, and NeoWiz – were forced to institute the Real Name Identification Act by the KCC (Ronald Deibert, 2010). This meant that the accounts used by individuals on these sites would be connected to their real life names and personas. Additionally, communication service providers for e-mail or chatting were required to collect even more information like names, addresses, professions, and Resident Registration Numbers (RRN). The Real Name Identification Act was extended again to become the Real Name Verification Law in 2007, and now users were forced to sign up to websites with their RRNs, which is like the social security numbers in the United States. In 2007, this was required for sites that had more than 300,000 visitors a day, which eventually spread to include sites that had more than 100,000 visitors a day when it was revised yet again in 2009 (Ronald Deibert, 2010). Although only sites that received more than 100,000 visitors were required to implement this system, most websites required detailed personal information anyway, because it was cheaper to put the site together once rather than change it again at a later date when traffic increased. The South Korean government tried to force foreign companies to adhere to these laws, but sites like Youtube ended up just disabling certain features for the Korean version of the site. In addition, after the government admitted that it could not enforce the law outside the country, many domestic companies looked overseas to find hosting (Ramsted, 2012). The real name use was found to be unconstitutional by

the Korean Constitutional Court in 2012 in that online postings would not be connected to individuals' real names. However, other aspects of the rule remained such as the need to verify identity to make accounts. Therefore, companies that did not have adequate security could be hacked to leak crucial personal information. In early 2013, the Korean government stated that the RRN could no longer be used to verify the identities of Korean citizens when making accounts on websites. Instead, the companies have to verify identity through cell phones or identity certificates.

Because South Korea was so quick to adopt the Internet and pass regulations on them, the country is also slow to move away from the antiquated laws that no longer apply. Although it was easy for the government to make the laws, it is not as easy to repeal them. Many Korean sites that conduct business transactions online are required to use ActiveX, which is inherently tied to Internet Explorer, a product released by Microsoft. ActiveX uses authentication certificates that do not work well with smartphones and other browsers (Yonhap, 2014). This process also makes it extremely difficult for foreigners to purchase items from Korean e-commerce retailers. The government implemented the rule in the 1990s in the name of Internet security. Since the technology is so outdated, it may actually be making it more unsafe, because people are constantly clicking "Agree" to unknown software in order to accept certificates (Harlan, 2013). Therefore, Korean Internet regulation encompasses a multitude of areas such as privacy, security, and intellectual property.

3. United States

The United States placed 4th out of 60 nations in a survey that examined Internet freedom in 2013, which is much better than South Korea's 20th. The country has relatively lenient regulations that allow opportunities for anonymity and privacy (Sanja Kelly, 2013). Internet regulation in the United States has mostly focused on preventing piracy and the dissemination of private property. The Digital Millennium Copyright Act (DMCA) is still commonly used to criminalize the dissemination of technology that can circumvent copyright protection mechanisms ("Digital Millennium Copyright Act," 1998). The DMCA was pioneering in that it exempted service providers from liability. It provides a safe harbor for sites that take down infringing content, but if the sites know about the infringement and takes no action, then they are held liable. DMCA violation notifications are often seen on Youtube when uploaders have posted music or videos that they do not own and others are trying to access them (See Figure 3: Youtube DMCA take down notice when trying to access a blocked video). This law was one of the first ones to regulate copyright and other intellectual property rights on the Internet that greatly affected the way consumers could access data and other information.

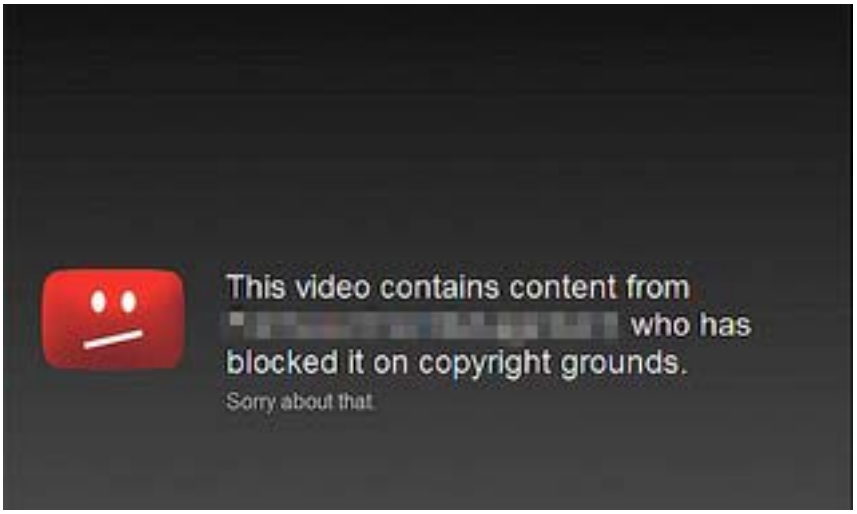

Figure 3: Youtube DMCA take down notice when trying to access a blocked video

The American government has tried to introduce a plethora of similar regulations such as the Stop Online Piracy Act (SOPA) in 2011. It is currently still in a state of limbo in the U.S. House of Representative after being introduced by Republican Representative Lamar Smith of Texas. SOPA was originally introduced to try to allow law enforcement officials to combat online infringement and trafficking of goods. Search engines would not be able to link to infringing sites and Internet providers would be required to block access to such sites ("Stop Online Piracy Act," 2011). Unlike the DMCA, which did not hold the service providers accountable for illegal behavior, SOPA would have made them liable for the actions of its users. SOPA would also prevent advertisers from working with those businesses that infringe, which would be devastating for many online businesses that rely solely on advertising revenue (Xavier Dreze, 2003). The individuals and organizations that pushed for this bill to pass in the House stated that it would protect the

intellectual property rights of the holders and would allow the United States to enforce them against both domestic and foreign companies. This is a huge issue, because it would allow enforcement against foreign-based websites and potentially lead to some uncomfortable situations with foreign governments. However, the opponents of the bill did not like how all-encompassing SOPA would be, because it would allow law enforcement the power to block access to entire websites if just one user uploaded an infringing content.

The PROTECT IP Act (PIPA) was another bill introduced in 2011 – this time in the Senate – to address copyright issues. It was a re-write of the Combating Online Infringement and Counterfeits Act (COICA), which failed to pass in 2010. The PIPA is also placed on hold and has not been addressed in recent times. Like the SOPA, it would allow the government to prevent individuals from accessing sites that infringe. This bill also would have allowed enforcement against foreign companies ("Protect IP Act," 2011). Many of the bills that have been introduced focus on protecting domestic property from infringing foreign companies, because the rules on copyright in the other countries are usually more lax and do not provide the adequate protection that American conglomerates desire. In particular, the entertainment industry in both music and film has vested interest in seeing these types of bills pass. However, both SOPA and PIPA were vehemently opposed by many Internet companies like XKCD, – an online webcomic viewed by millions – Wikipedia, – an online encyclopedia – and Google – the most used search engine in the world. Wikipedia ranks 6th in the world in site traffic and chose to honor a blackout

with many sites, where the content on its site could not be accessed by anyone for 24 hours. Google placed a black bar over their logo doodle and urged people to tell Congress not to go through with SOPA and PIPA (See Figure 4: An online web cartoon called XKCD opposing SOPA and PIPA; one of many Internet companies going against the bills (Munroe, 2011) and Appendix B).

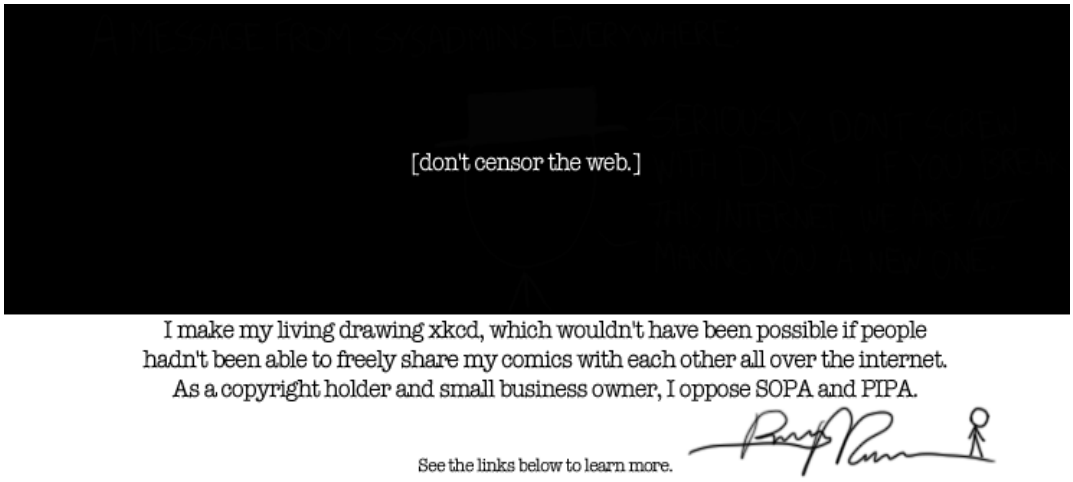

Figure 4: An online web cartoon called XKCD opposing SOPA and PIPA; one of many Internet companies going against the bills (Munroe, 2011)

Another bill that got further than either SOPA or PIPA was the Cyber Intelligence Sharing and Protection Act (CISPA), which passed the House and was received in the Senate but shelved. 2011 was a big year for Internet bills in Congress, because three major ones were discussed on its floors. The CISPA was slightly different from SOPA and PIPA in that it was to protect the United States from cyber threats and attacks against cyber security. It would allow the technology companies to share information with the

U.S. government without prior consent from the individual user. This meant that the government could monitor the activities of each individual and the Internet companies would not be held accountable ("Cyber Intelligence Sharing and Protection Act," 2011). Unlike the SOPA or PIPA, however, CISPA was welcomed by Internet companies like Facebook and Google, because they thought that it would be an easier way to share security related information with the government. CISPA still had as aspect of intellectual property involved in that the shared information might also include copyright violations. The Motion Pictures Association of America (MPAA) and Recording Industry Association of America (RIAA) lobbied and pushed hard for all of the aforementioned bills. The MPAA even backed for an anti-piracy curriculum to be taught to elementary school children (Verrier, 2013). The backlash to both SOPA and PIPA was so strong that many major Internet companies staged blackouts to raise awareness for the cause.

Recently, net neutrality, which is the principle that governments and Internet service providers should treat all data equally, has become an issue in the United States (Wu, 2003). The Federal Communications Commission (FCC) tried to pass net neutrality related policies multiple times in 2005 and 2010, but were hindered in their efforts due to the sheer amount of backlash. The FCC announced new rules in April 2014 that would allow Internet service providers to allow faster speed access to certain sites that paid higher prices. This would have a huge impact on small companies just starting out with not much spare cash and give preference to huge conglomerates (Wyatt, 2014). A vote will be taken on May 15, but the proposal has considerable criticism from consumers and some vocal

Internet companies.

By examining the charges filed against Kim Dotcom, the owner of MegaUpload, on January 5, 2012, it is possible to examine how the U.S. government treats copyright claims. According to the Department of Justice, MegaUpload was a site that allowed users to upload content and share files with others. If MegaUpload had deleted copyright infringing files as they found it, they would not have been held liable. However, documents showed that the company knew some of the files were illegally uploaded but took no action to rectify the situation. Therefore, the U.S. courts charged Kim Dotcom with conspiring to commit copyright infringement, among other charges (Justice, 2012). In this case, the U.S. government specifically specified that he was not complying with the DMCA and the Copyright Act of 1976 ("United States of America v Kim Dotcom, MegaUpload Limited," 2012). Similar cases were brought up against Pirate Bay and Wikileaks, the former of which is a popular torrent file sharing site and the latter releases classified government documents.

In June 2013, the United States was found to have been conducting a global surveillance system through the National Security Agency (NSA). The NSA looked through the Internet and communication records of many individuals (Gellman, 2013). Additionally, the leaked NSA documents showed that the agency works closely with the Internet access and service providers: AT&T, Level 3, and Verizon, which allows them to monitor at the infrastructure level (Borders, 2014). While the breach of privacy was not solely through the Internet, there has been considerable talk over issues of Internet privacy.

Thus, the NSA security is an issue that will likely influence the Internet regulation decisions of the U.S. government regarding privacy.

III. Implications of South Korean Regulation

1. Domestic Companies

Interviews were conducted with six different companies either in-person or by e-mail if it was not possible to meet in person (such as if the interviewee was in the United States). Of the six companies, three were established in South Korea and three were established in the United States. All of the South Korean companies had South Korean founders. However, the nationality of the founders in American companies varied from American to South Korean. There were different types of Internet companies involved; ranging from gaming to data management and analysis (See Table 2: Types of companies interviewed).

Company	Country Established	Date Established	Founder's Nationality	Company Type
A	South Korea	2010	South Korea	Planning Software
B	South Korea	2011	South Korea	Data Management and Analysis
C	South Korea	2014	South Korea	Gaming Platform
D	United States	2006	United States	Social Media
E	United States	2012	United States / South Korea	Social Media / Gaming
F	United States	2013	South Korea	Language Acquisition

Table 2: Types of companies interviewed

All of the companies that were interviewed wished to be kept anonymous for this research.

An example of the types of questions that were asked is provided in Appendix C. Not all interviews followed the question format and the questions that were asked varied according to the flow of the discussion.

In today's day and age, the decision to involve the Internet in the workings of a company is no longer a choice, but a fact of conducting business. South Korea increased protection of intellectual property rights, antipiracy laws, and e-commerce security in the 1990s, which was a step toward allowing for a more attractive environment for some businesses. Yet for others, when they are bound by strict Internet laws, they feel burdened and sometimes move so that they can establish companies in other locations. ActiveX hinders the e-commerce world of Korean retailers. According to the Korea Institute for Industrial Economics and Trade, South Korea's online shopping sector is only 0.24% of the GDP, while it is 1.24% for the United States and 1.68% for China (Yonhap, 2014). The reason for this is overwhelmingly attributed to ActiveX and its cumbersome connection to Internet Explorer. Unlike e-commerce giants like Amazon that have one-click purchasing methods, buying a product online in Korea is a long and arduous process that involves agreeing to multiple certifications and security agreements. All of the South Korean companies stated that the most important issue with regards to Internet regulation involved the payment system. Appendix D has a table with all of the regulations and circles denoting the ones the companies are concerned about. Company A talked about how ActiveX has been a stumbling block in the Korean Internet market for years, and has continued to be an annoyance. According to the Founder and CEO, "(*translated from*

Korean) The ActiveX security law prevents us from easily entering any other marketplace. For example, we have to recode all of the process of checking out and purchasing our product, which takes time and money that we don't have since we are a small business" (A, 2014). This company talked about having a separate site for Korean consumers and one for foreign consumers. Foreign consumers do not have the necessary tools to purchase on a Korean website, while the company was legally obligated to utilize ActiveX in the check out system. All of the Korean companies were baffled as to why the law had not been repealed decades ago. Company C stated, "[Due to the] security regulations in payment system… largely contributed [in dragging] many companies equipped with the payment system in their service to expand their business territory to outside of Korea" (C, 2014). This meant that companies that had to use ActiveX had to come up with new systems for when they marketed outside of the country as the certification system was too antiquated and cumbersome. Although there have constantly been talks of overhauling the system, nothing much has changed for the past few years.

Company C, the newly established gaming platform, also referenced the Juvenile Protection Act's Online Game Shutdown, which prevents adolescents from accessing online gaming. He said that it makes it harder for indie gaming companies like his to gain foothold in the industry when there are so many laws that go against them. "As a newly started firm, it is impossible to meet the required conditions. We keep delaying the game release due to the many requirements" (C, 2014). He continued that the proposed legislations in the National Assembly regarding restrictions on online gaming will make it

hard for him to continue the business. "If I were a large company, I might be able to absorb the extra cost. Since I am small, it will be very hard." Furthermore, he said that if he had known all the regulations before he set up his company, he might not have started a gaming company at all (C, 2014).

Regarding the Real Name Identification, none of the companies that were interviewed had enough traffic or were at the stage to require verification. Company B mentioned that they did not currently have the system set up to verify identification, but that they were working on it. "Right now we do not require accounts through our page. We ask them to fill out a form and we will contact them for their interest" (B, 2014). By circumventing the need for accounts by just directly communicating with the clients, Company B bought itself more time with regards to addressing this issue.

All companies talked about regulations stifling their productivity at a crucial moment when all they want to do is scale-up the businesses. The Juvenile Protection Act consistently changes every few years according to current events that occur in the news. For example, if the big news topic of the moment is about a child that was harmed in some way while playing games online, then the law is changed to close a possible loophole, furthering restricting the game creators and publishers. With more and more abuse of the technologies, the regulation becomes stricter to encompass all the possible pitfalls that could occur. While many of the larger companies can handle the additional regulatory changes with minimal effect on their bottom lines, the smaller companies and start-ups have to tighten their budgets and resources to adhere to the often revised rules. As a small

company, Company C has to reallocate the time spent on adhering to these new rules by coding additional lines that would keep them in line with the governmental changes. Those same resources could have been spent enhancing and revising the product.

South Korean regulations sometimes nurture domestic companies at the same that they stifle them. Because many of the Korean regulations cannot be imposed on foreign companies, Korean companies often maintain separate sites for the domestic and foreign markets. This takes up a considerable amount of resources in order to fulfill two different types of requirements: those of the domestic government and those of the foreign market. Large companies like GMarket can handle the additional workload, and they do have separate sites (See Figure 5: Korean GMarket on left and foreigner-friendly version on right ("GMarket," 2014)).

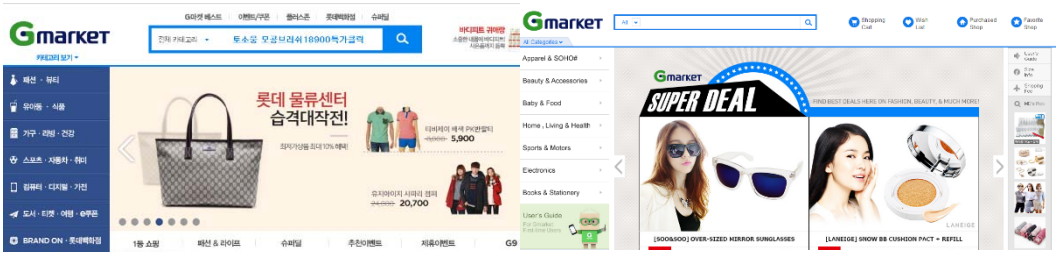

Figure 5: Korean GMarket on left and foreigner-friendly version on right ("GMarket," 2014)

On the other hand, foreign companies face certain difficulties when they try to enter the Korean market. As will be explained later on in the following section, Google Maps had considerable difficulties entering the Korean market because they could not access the same type of information as domestic companies. Due to the strict privacy and property laws

that focus on national security, certain types of technology companies face serious limitations in access to information. This makes it difficult for companies like Google Maps to flourish in a market when they do not have the abilities to compete at an equal footing with the domestic companies. Therefore, in certain situations, Korean regulations nurture domestic companies and make it easier for them to succeed in the Korean market. However, since this only applies to the Korean market, these same Korean companies probably face difficulties achieving the same amount of success abroad or they themselves face the same restrictive governmental regulations in a foreign nation.

2. Foreign Companies

When foreign companies were questioned about South Korean-specific Internet regulation, they either did not put much thought into it or if they had Korean founders, stated that that was the reason they decided to establish the country in the United States. Company D is a large social media website that is one of the top 100 in the world in traffic and top 25 in the United States. The Director of Communications of Company D stated that they did not worry about the Internet regulation in South Korea and did not know about the Real Name Identification Act. She continued that even if they were worried about it, it would not affect them because they are an American company (D, 2014). Even though the Korean government tried to force foreign companies to abide by the Korean rules, as was mentioned in the Youtube example in the previous section, they cannot enforce the

regulations. Therefore, the foreign companies ignore the rules that will prevent them from easily entering the country.

Additionally, foreign e-commerce sites do not have to abide by the ActiveX rules of South Korea. In fact, many foreign e-commerce retailers are not aware of the requirement when they decide to enter the Korean market and sell to Korean consumers. However, Company F, which has a Korean founder but was established in the United States, offered, “I decided to open my business in the United States partly because I was already here and party because the laws are better. I don’t have to worry about both the security laws in Korea and the US; only [those of] the US” (F, 2014). She elaborated that in the Internet environment today, as long as websites adhered to the American laws, they would generally not face much criticism from other governments. According to Company F, the American laws are seen as the standard and as long as the website is legal in the United States, other governments usually turn a blind eye to infractions.

Google had considerable trouble when trying to enter the South Korean market. Google Maps is a service that provides directions using the maps of a certain area. The service has done extremely well in other markets like the United States, Canada, and United Kingdom. However, it has failed to penetrate the Korean market and take share from domestic services like Naver, because it faces regulation from the Korean government. Google Maps cannot give driving or walking directions in Korean cities because the export of map data is barred (Pfanner, 2013). The government says security restrictions prevent it from allowing foreign companies access to pertinent military information. However,

this gives domestic companies an advantage in that they do not have competition in these types of sectors. The government is allowing certain foreign companies access to special English-version maps, but only on a case-by-case basis. These maps are also not as detailed as the maps that domestic websites can access, so the foreign sites will always be at an inherent disadvantage.

IV. Implications of American Regulation

1. Domestic Companies

Approximately 20% of all venture capital deals are Internet-specific in the United States (Institute, 2011). The United States has one of the largest start-up schemes in the world. Company E has two co-founders: one American and one Korean. They decided to establish the company in the United States because they were both in the United States at the time and they also felt that the country was more open to innovation and start-ups. Company F was similar in that the founder was studying abroad in the United States when she decided to start her English language exchange company.

Company D was very involved in the SOPA and PIPA debate in 2011 and continues to be involved in the net neutrality discussion in 2013. "[We have] always been very involved in protecting Internet freedom from regulation and you can read that in [the messages on the boards from users]" (D, 2014). Since Company D is a social media site, third party users interact with each other on the company's communication platform. The company and its users got together to protest against SOPA and PIPA. On January 18, 2013, the site joined others like Google and Wikipedia and had a blackout where users could not reach the contents on the website (See Figure 6: Company D's blackout against SOPA and PIPA on January 18, 2013).

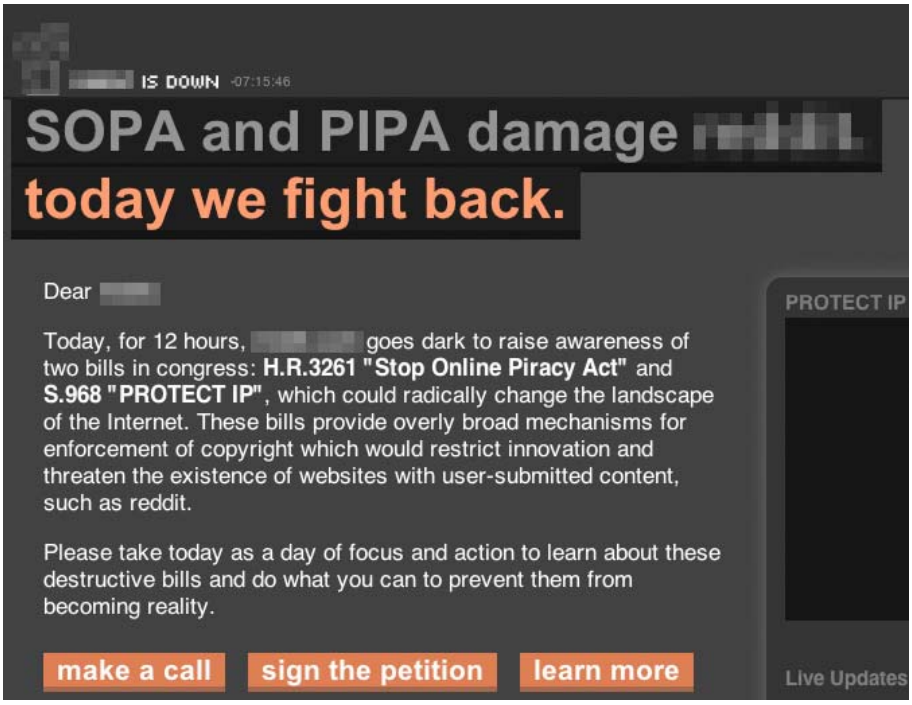

Figure 6: Company D's blackout against SOPA and PIPA on January 18, 2013 (D, 2014)

Currently, the site's users are concerned about the net neutrality bills that are being passed around Congress. They have mobilized active protests to show that the consumers are vehemently against allowing companies to pay Internet service providers for faster access to their websites.

Companies E and F did not have much to mention about Internet regulation in the United States except to say that privacy issues were very important to them. Company E is a social media site so they were concerned about net neutrality laws, since it would make it more difficult for them to succeed and gain market share quickly. However, Company E stated that they are not at the stage to contemplate the future outcome of net neutrality

since it has not yet passed and the company itself is currently not scaled-up enough. Company F is owned by a South Korean individual in the United States who did not care about the American regulations because the company is mostly focused on foreigners. The language acquisition company is currently geared toward foreigners learning American English, which means Americans will not be interested in the website. While Company F is based in the United States, it is more concerned about South Korean regulations than the American ones.

2. Foreign Companies

Company C did not have any worries about the Internet regulation in the United States. The only worries it had were regarding net neutrality, but only after it was mentioned during the discussion. Company A and Company C overall did not have problems with the American Internet regulations and were not bothered by it. Company B did mention that "South Korea… needs to be more open. Whereas in the US, the government is too involved [both in tracking and in regulation]." However, this is the opposite of what Company B mentioned earlier when it said "[we] are already selling into the US and… no concerns on their regulations" (B, 2014). Additionally, Company B mentioned the net neutrality issues as a concern.

While South Korean companies view American regulations as the international standard, the interviewed Korean companies are currently focused on conquering the small

Korean market. They believe that they will be able to focus more on the American market after conquering the smaller Korean market. According to Company C, this is because the company doesn't feel like it can succeed in the United States as it has a different approach towards marketing its services. Company C solely has Korean employees, so it does not think it has the adequate resources to succeed in the United States. In addition, the company believes that the vast cultural differences would lead to its demise if it plans an American launching without proper preparation. The interviewed Korean companies in general are not ready to expand internationally yet.

V. Analytic Comparison of Internet Regulation in South Korea and United States

1. Government Branches overseeing Internet Laws

The international standards regarding the WIPO Copyright Treaty and ITU WCIT Treaty are under the umbrella of the United Nations. The problem with the resolutions under ITU and WIPO is that they are non-binding and so are not effective in governments do not agree to them. The South Korean regulations fall under many different government branches and are not under any one specific regulatory branch. The Korea Communications Standards Committee oversees Internet censorship within the country and has regulatory power over certain regulations like Juvenile Protection Act and Real Name Identification Act. The Ministry of Gender Equality and Family also has a hand with the Online Game Shutdown, which reflects the concerns over excessive gaming by young schoolchildren. The Financial Supervisory Service is the regulatory body overseeing issues like ActiveX, which hinders the e-commerce market and other issues. The United States also has multiple regulatory groups for Internet regulation. The Federal Trade Commission regulates e-commerce activities in the United States and has authority over privacy issues and advertising. The Federal Communications Commission oversees the net neutrality issue and has faced considerable criticism from many consumers.

Both South Korea and the United States have several different groups overseeing certain aspects of Internet regulation. Because there are such disparate Ministries or Commissions maintaining the Internet, it can be difficult to examine every Internet regulation as a business owner. Many technology-based businesses believe it is time to establish a single entity or institution that oversees all aspects of Internet regulation without having several groups regulating each of their own jurisdiction. South Korea somewhat has a start with the Korea Communications Standards Committee that only looks at Internet communication, but it does not cover other aspects like national security and juvenile safety. A single regulatory body would allow a smoother transition for businesses and for the government since it would simplify the interconnected net of regulations. Since both countries have multiple entities that can regulate the Internet, the laws range a multitude of areas.

2. Barriers to Entry

All of the South Korean established companies answered that it would be easier to start an Internet company in the United States, because the regulations are more reasonable. Silicon Valley in the United States has the highest concentration of technology-based companies in the world and also has the highest capital investments (Regalado, 2013). Silicon Valley became a cluster of technology to where venture capitalists flocked due to the potential investment opportunities, and this in turn attracted

more technology start-ups. The regulations and American culture made it possible for start-ups to grow rapidly. Since the Korean culture is still hesitant to open up to entrepreneurship relative to the Americans, many would-be entrepreneurs face difficulty finding support from their parents, friends, and colleagues. Even banks are hesitant to loan money to companies in the amount that is needed for technology-based companies to establish themselves. This cultural aspect is an issue that must be addressed before the full potential can be realized. Even though the Korean government is recently pouring money into helping establish start-ups, many people are not taking advantage of the opportunities since they are hesitant of the backlash from parents and acquaintances. In addition, the Korean market itself is too small in itself to effectively run a business. Many companies are viewing at expansion into other markets quickly, because the Korean market share globally is insignificant. Many of the interviewed companies felt that starting a company in the United States is much better, because they would already have an English site ready for international reach. A site made for Koreans will be in the Korean language, which limits the potential market significantly and ensures that pretty much only Koreans will be able to access the product effectively. As English is already seen as the international standard language, American companies have a huge advantage over the Korean ones. Therefore, Korean companies feel that there is a significant barrier to entry for their companies since they would have to overcome so many potential pitfalls.

The Internet business environment must be overhauled entirely in South Korea if it wants to catch up to the United States. The South Korean government acknowledges

that the Internet is the path of the future by offering incentivizes programs to improve infrastructure and programs like the Ten-Million-People Internet Education that aims to offer government subsidized education to individuals that don't normally access the Internet like the elderly, farmers, disabled individuals, prisoners, and housewives (Institute, 2011). However, the government focuses too much on providing its citizens with the means to access the Internet, and not enough on making that process easier. Even if it provides the guidelines for using the Internet, if it is too hard to utilize due to convoluted regulations, then individuals will not be as open to accepting its usefulness as a tool. All of the stakeholders should work together to ensure a cohesive and well-running development of the Internet environment. When businesses are burdened by ancient regulations, they cannot fully realize their potentials in an efficient manner. Because the Internet is a rapidly evolving machine, the regulations should reflect the swift changes and evolve right along with it. Therefore, the stakeholders need to come up with a process that will allow them to make the necessary regulatory changes quickly and effectively so that innovation is not stifled in the market economy.

On the other hand, America is not free of regulatory problems itself. The net neutrality issue is currently a huge potential problem that needs to be addressed in the near future. Such anti-competitive behavior will make it much more difficult for small businesses like start-ups to thrive in such an atmosphere. This could affect the entire Internet start-up community and could have devastating effects on the industry as a whole. There are speculations that net neutrality could shift the entire balance of the industry.

Additionally, American companies face barriers when trying to enter the Korean market in matters that overlap with Korean national security. Because South Korea is still technically at war with North Korea, the country has very strict rules regarding national security and information sharing. Therefore, resources like maps and locations are restricted and Apple faced problems when it was leaked that they actively collected GPS and private information from users of its iPhones. When comparing the type of information available on Google Maps with those of Naver Maps or Daum Maps, there is a distinct difference in quality. For example, Google Maps can only provide directions using public transportation while both Naver Maps and Daum Maps provide directions by car, foot, or public transportation. In some locations, the maps are not as clear as those provided by the domestic companies and Google does not provide step by step directions. The United States also has its problems with national security, but the focus is different because they are not bordering the country they are occupied in a dispute with. Since South Korea is bordering North Korea, the need for security is much greater.

Existing copyright laws in the United States have jurisdiction over domestic American companies, but cannot force foreign companies to adhere to the American laws. Therefore, many companies that violate copyright laws are based outside of the United States where the jurisdiction does not apply to them. This allows American companies to have a disadvantage over foreign companies in certain types of technology-based companies like those providing video or audio streaming.

3. Cultural and Social Differences

Unlike the United States, South Korea does not yet have a thriving start-up community. The start-up community in South Korea remains a fraction of the size of its counterpart in Silicon Valley. Many have pointed to the Korean culture as stifling innovation and entrepreneurial spirit, because a steady and safe job is seen as the best possible path for a young adult. Starting a business from the ground up is often seen as an unnecessary risk; especially if the individual is a college graduate who could easily find a job at any of the large conglomerates like Samsung, LG, or Hyundai. The stigma associated with failure in Korea extends to regulations where bankruptcy laws are not sympathetic to the plight of struggling entrepreneurs or small companies, but only focus on the creditors' needs. Parents normally discourage their children from quitting their stable corporate jobs in order to fulfill their entrepreneurial spirits. However, this type of thinking has slowly been changing over the past couple of years. According to the Korea Venture Business Association, the number of startups in Korea grew from 15,401 in 2008 to 28,763 in February 2013 (Nam, 2013). After seeing the success of several Korean companies like KakaoTalk, WeMakePrice, and Coupang, more and more Koreans are jumping into the technology start-up scene. Furthermore, the Korean government is trying to foster innovation through start-ups by providing some resources. For example, the government recently pledged $2.9 billion in funding for start-ups as well as $89 million

of it going towards struggling entrepreneurs trying to rebuild after failure (Nam, 2013). This type of change from the government level down is seen as a positive for the entrepreneurial scene in that hopefully it will change the cultural mindset.

The American culture is very open to entrepreneurs and innovation in the start-up environment. The "American Dream" is often seen as a core American value in which individuals can take advantage of opportunities that will allow them success and social mobility. An entrepreneurial spirit and establishing companies goes along nicely with this ideal, and Americans are very open to their children or themselves starting businesses. This is very different from South Korea, where parents sometimes actively discourage their children from undertaking anything too risky or something that has a potential for high failure. World-wide, Silicon Valley has emerged as the center of technological advancement and the place with the highest concentration of technology start-ups. Many entrepreneurs from around the world even move to the United States in order to start their businesses since it is viewed as having one of the most optimal resources and regulations for a start-up. There is an inherent difference in the culture that cultivates a different type of atmosphere for start-ups than the one in South Korea.

South Korea itself is also a very nationalistic country. People prefer to buy products that are Korean or originate from the Korean land, because they are seen as having better quality. Products from other countries are more often seen as inferior, such as American beef and Chinese electronics. Even if the Korean equivalent to a foreign product is more expensive, many Koreans will tend to choose the domestically produced

item (Fortune, 2011). Wal-Mart, Nokia, Nestle, and Google are all companies that failed to appeal to the Korean market because they did not localize to Korean tastes (Choe, 2006). One of the rare success stories of a foreign company in Korea is that of Tesco and its localized brand of HomePlus grocery stores. Many Koreans don't know that the company is British, and believe that it is a Korean company. However, HomePlus succeeded because it localized to the Korean market and adapting to the present needs (Choe, 2006). This shows that Koreans have a strong nationalist pride and prefer supporting companies that it believes are Korean. This is also evident in the regulations in the country as with the security laws that hinder Google Maps from effectively expanding into the Korean market. The American society is also nationalistic, but in the same manner as the Koreans. Because the laws are focused more towards protecting copyright and property, protecting domestic companies is not as strong as it is in Korea.

4. Benefits for the Governments

The governments can benefit from embracing the Internet. They can place vital information online so that citizens can easily access pertinent information. Additionally, they can eliminate much of the paperwork by streamlining processes like visas, taxes, and healthcare. However, for a country that is seen as technologically advanced, a lot of South Korea's regulations are antiquated and need updates. If the government updates its regulations with regards to e-commerce and ActiveX, it could see a boom in the Internet

shopping market. As mentioned previously, the potential for online shopping malls are enormous, but it only constitutes a small portion of South Korea's economy due to cumbersome regulations. The market share of e-commerce in Korea is a fraction of what it could be, and if the regulations are changed in line to current advancements, then there can be considerable effects on the Korean economy. It will also allow Korean e-commerce businesses to easily market to foreign consumers without the need to spend precious resources on preparing a separate website.

The Korean government is investing into fostering entrepreneurship in the Korean population. By allowing start-ups the chance to grow with help from the government, the companies can expand more quickly and scale-up at a much faster pace. This will help the Korean economy by making more jobs for the workforce and stimulating the economy in turn. There is a sizable portion of the young that is unemployed in South Korea. The government is hoping to provide them with a means to success by providing access to education and training programs to establish businesses. The government programs hope to enrich individuals into establishing financially sound businesses; there are also programs for businesses that have failed to succeed but need some more support. These government programs are somewhat counter to the current government regulations. If the Korean government wants to effectively provide support, they should also look at revising the current laws until they are more in line with modern international standards. This will help them more effectively utilize the funds that are already set aside to help technology start-ups and also make them more profitable.

The American regulations have strong lobbyists supporting them behind the scenes. As an example, Representative Lamar Smith from Texas was the author of the SOPA and was revealed to have received most of his campaign money from the entertainment industry that would benefit the most from the bill's passing (Aaronson, 2012). Therefore, some of the laws that are being pushed benefit certain industries over others; the entertainment industry like film and music would benefit. The American government wants to look out for the interests of its greatly profitable Hollywood and music industries, but they also have to balance the views with the Internet sector. If they could agree on laws that do not arise as a result of industrial politics, but merely for national security or safety and privacy issues, then consumers would benefit from open access to information.

5. Limitations

There are several limitations to the research results and questionnaire. Most of the companies that were interviewed were established not that long ago, since they were mostly start-ups. With the exception of one company established in 2006 that is proven to have a widely-used product, the other five companies are relatively small in nature and have small market share. The Korean companies did not care about expanding to foreign markets, because they were still focused on capturing Korean market share. This means that they were not as concerned about American regulations, even though they acknowledged that American regulations were seen as the international standard for

Internet regulations for technology-based companies. If the companies were more focused on expansion into foreign markets, then they may have been more focused on the American regulations.

VI. Conclusion

The South Korean Internet regulations are much more restrictive when it comes to freedom of speech and privacy. Because the actual identities of the Korean population is tied to their accounts, they do not have the anonymity that many foreign citizens enjoy. In addition, the antiquated laws make it harder for Korean businesses to flourish, especially when they are a company just starting up. This wastes precious resources such as time and money, and makes it harder for start-ups to succeed in such an environment. Regulations like ActiveX, Real Name Identification, and Juvenile Protection Act may seem like they are protecting the citizens, but are actually doing more harm than good.

Therefore, the United States is a much better location for establishing Internet companies. The Internet regulation in South Korea is not conducive to allowing a company to grow and flourish. Although the United States also has its problems with regards to Internet security and intellectual property rights, the actual bills have not been passed and those that have passed are not as restrictive as the Korean laws. In order for South Korea to foster innovation in the start-up community and improve e-commerce penetration, the Internet regulations must be modernized to keep up with recent advancements in Internet technology.

The research shows that South Korea and the United States have inherent differences in the culture and social aspects that led to the disparate Internet regulations. The Korean society is less open to start-ups and establishing risky businesses while the

American public is more open to such ventures. Thus, the cultural and social aspects also affect the regulations and manner in which Internet-based technology companies conduct business. Even though the Korean government is merely trying to protect its citizens from cyber threats and related issues, it may be doing more harm than good. The American regulations currently are not restricting, but proposed bills and amendments to existing laws point to a bleak future in the American Internet scene if they are not addressed. The Internet regulations in South Korea and the United States are different from one another in that Korea focuses more on national security and privacy while the United States focuses more on intellectual property rights. Due to this difference, technology companies face disparate issues when approaching one nation's regulations over another and must adapt to the laws as their businesses grow and expand.

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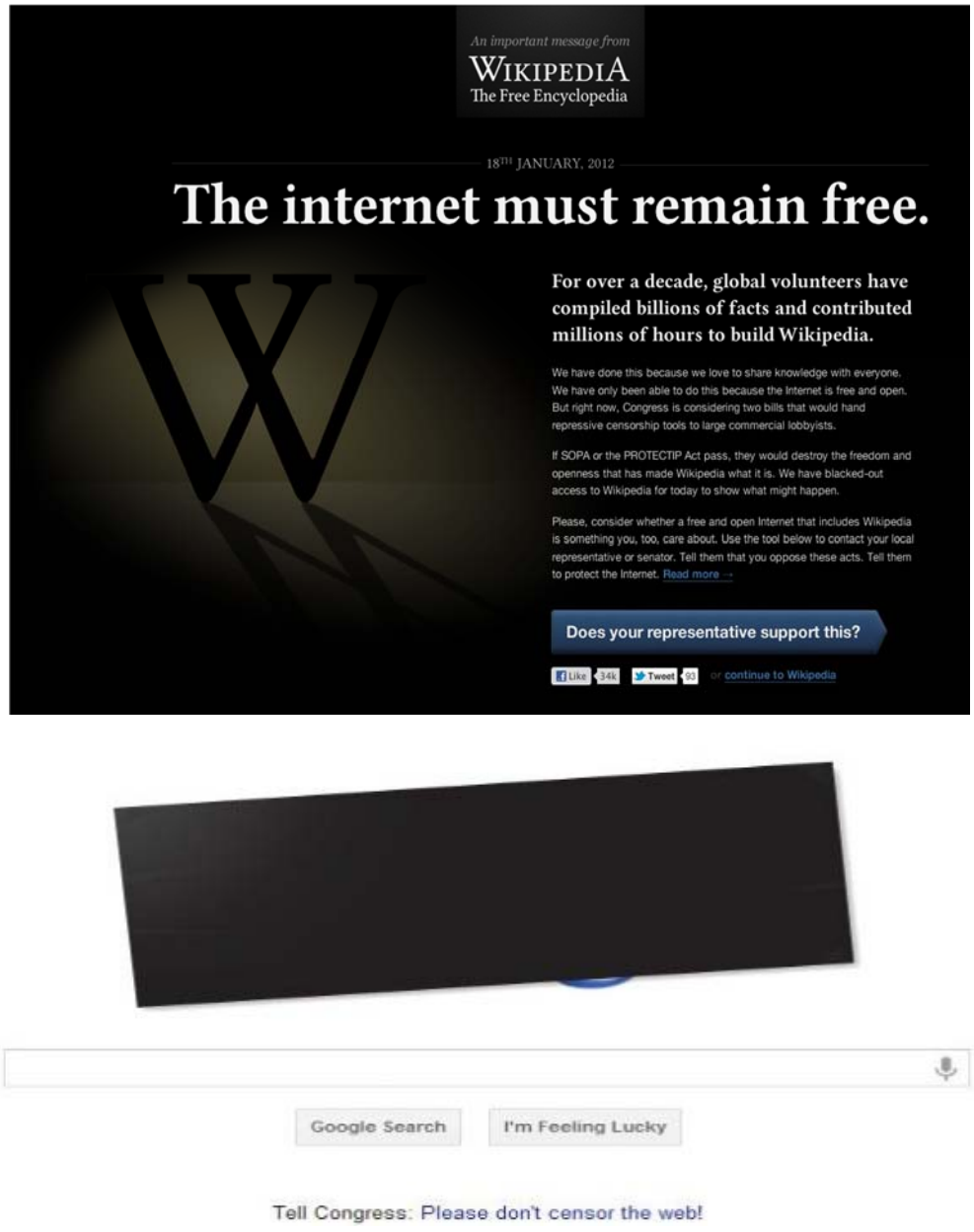
Appendix A

Country	Name	Privacy	Defamation and Speech	Copyright	Restricting Access to Information	Security
Inter-national	WIPO Copyright Treaty			○		
	ITU WCIT Treaty	○	○		○	○
South Korea	Telecommunications Business Act		○		○	○
	Juvenile Protection Act				○	
	ActiveX					○
	Real Name Identification Act	○	○			○
	Comprehensive Measures on Internet Information Protection	○	○		○	○
United States	Digital Millennium Copyright Act			○	○	
	Cyber Intelligence Sharing and Protection Act	○	○		○	○
	Stop Online Piracy Act			○	○	
	Protect IP Act			○	○	
	Net Neutrality				○	

Table 3: International, Korean, and American Internet regulations placed into categories

Appendix B



Top: (Wikipedia, 2012), Bottom: (Google, 2012)

Appendix C

Basic Interview Questions:

1. When and why did you decide to start your company?
2. Did you have a choice in where (country-wise) you wanted to establish your company?
3. Were you concerned with the South Korean laws on Internet regulation before you started/expanded your company (e.g. Real Name Verification Act, Measurement Act restricting export of Korean map data, censorship, Security Law requiring ActiveX, privacy, etc.)?
4. Were you concerned with the Internet regulations in the United States before you started/expand your company (e.g. DMCA, proposed SOPA and PIPA, censorship, privacy, etc.)?
5. Would you say you were hesitant about either starting your company or expanding business into other countries due to Internet regulation?
6. Which country do you think is more receptive to technology-based companies based on their Internet regulations: South Korea or United States?
7. Do you think the specific Internet regulations of South Korea/United States delay developments in your business?

Appendix D

Law / Company	South Korea					United States				
	Telecommunications Business Act	Juvenile Protection Act	Comprehensive Measures on Internet Information Protection	Real Name Identification Act	ActiveX	Digital Millennium Copyright Act	Stop Online Piracy Act	Protect IP Act	Cyber Intelligence Sharing and Protection Act	Net Neutrality
A					○					
B			○	○	○					○
C		○			○					○
D						○	○	○	○	○
E										○
F				○	○					

Table 4: Regulations the companies were concerned with in South Korea and United States